



A WARTIME BUDGET TO SECURE AMERICA'S FUTURE

THE HOUSE BUDGET RESOLUTION – FISCAL YEAR 2003 (H.Con.Res. 353 - as amended)

updated 19 March 2002

SUMMARY

- This budget resolution for fiscal year 2003 is a balanced, wartime budget that provides the three fundamental securities the Government is obliged to protect: national security, economic security, and personal security.
 - *Security for the Nation* - This plan supports the President's request for winning the war against terrorism overseas, and enhancing the safety of America's homeland. In addition, it promotes scientific research that can speed the discovery of technologies capable of improving the lives of all Americans; and keeps promises to America's veterans.
 - *Security of a Growing Economy* - The budget returns to the practice of paying down debt, further easing the burden of Government on the economy. It calls for *no tax increases*; it includes the recently enacted economic recovery and worker assistance bill; and it provides for an additional \$28 billion in tax relief over the next 5 years. In addition, it further contributes to the economy through investments in energy, transportation, and agriculture.
 - *Security for Ourselves and Our Families' Future* - Because America is a community of individuals, the budget helps Americans pursue their own destinies – by supporting education and health care, safeguarding the Nation's natural resources, and protecting retirement security.
- The remainder of this document provides detail of the ways in which this balanced budget contributes to the Government's principal task: Securing America's Future.

Authorized by **Jim Nussle**
Chairman, House Committee on the Budget

A BALANCED BUDGET

- This budget is balanced in fiscal year 2003, with the sole exception of recently enacted emergency legislation that will support the economic recovery and provide assistance to displaced workers.
- The budget resolution calls for \$2.077 trillion in tax revenue in fiscal year 2003, and \$2.123 trillion in outlays. The difference of \$45.8 billion is accounted for by the Job Creation and Worker Assistance Act.

RESPONDING TO THE TRIPLE THREAT

- It is widely understood that a balanced budget is the proper fiscal benchmark *under normal political and economic circumstances*. But even balanced budget amendment proposals allow flexibility in the principle when emergencies occur, such as wars or economic recessions.
- Americans have endured three extraordinary challenges: a national emergency resulting from terrorist attacks on America's homeland; a subsequent war against terrorism; and an economic slowdown once considered a recession. Any one of these would qualify as an exception under most balanced budget amendments.

SECURITY FOR THE NATION

- Ensuring the Nation's security is the highest obligation of the Federal Government. If a nation cannot defend itself and its citizens, none of its other activities really matters.
- This budget supports national security by funding a commitment to win the war against terrorism; by enhancing protections of America's homeland; and by promoting scientific research that can lead to technological advances in the future.

Winning the War Against Terrorism

- The resolution provides funding consistent with the President's program to combat terrorism overseas. The administration has requested \$27.3 billion in budget authority [BA] for this purpose in fiscal year 2003, a \$16.8-billion, or 260-percent, increase over fiscal year 2002 (including fiscal year 2002 emergency spending of \$3.5 billion in BA).
- Total national defense funding is \$393.8 billion in BA in fiscal year 2003, and \$2.129 trillion over the next 5 years.

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- Specific antiterrorism measures supported by this budget include the following:
 - *Forward Deployment* - The resolution supports 250,000 forward-deployed (in theaters of operation) troops in the war against terrorism. Although the number of combat personnel in areas such as Afghanistan is small, they must be supported by large numbers of logistical, intelligence support, and other personnel in adjacent land areas and at sea.
 - *Intelligence Enhancements* - The budget supports an increase in funding for programs found effective in the war against terrorism in Afghanistan, including at least \$3 billion to improve intelligence gathering and computer networking. Intelligence programs in particular are intended to provide forewarning for potential future terrorist attacks
 - *Unmanned Aerial Vehicles [UAVs]* - The budget accommodates the President's request for \$158 million for missile-firing Predator drones like those used for the first time against the Taliban. Another \$629 million will speed production of Global Hawk, the long-range UAV that also debuted in Afghanistan.
 - *Precision Munitions* - The budget provides \$1.6 billion to buy 45,000 laser-guided bomb kits and 33,000 new satellite-guided bomb kits. It emphasizes precision munitions, intended to maximize military effectiveness while minimizing both collateral damage and vulnerability of U.S. aircrews.
 - *Space-Based Radar* - The budget accommodates one of the President's top priorities: a constellation of satellites that would track moving vehicles on the ground as well as aircraft. This program would expand on the success of Joint Stars, an aircraft-based radar with the capability of tracking vehicle movement.

Securing the Homeland

- In the aftermath of the terrorist attacks of 11 September, and the subsequent threat of biological agents (such as anthrax) being used as weapons, the budget resolution reflects the priority of enhancing the security of America's homeland. It proposes \$37.7 billion for homeland security activities in fiscal year 2003, an increase of \$8.4 billion, or 29 percent, over fiscal year 2002 (which included emergency spending of \$9.8 billion in BA). Major policy initiatives supported by this funding level include the following:
 - *Grants to First Responders* - The resolution funds a new Federal grant program to help States and localities respond to acts of terrorism. The program – to be administered by the Federal Emergency Management Administration [FEMA] – provides \$3.5 billion in grants in fiscal year 2003. The grants will allow local police and fire departments and emergency rescue teams to hire needed

employees, train staff, enhance preparedness, and purchase equipment to rescue victims of terrorism in the critical early hours after an attack.

- *Defending Against Biological Terrorism* - Spending for the Department of Health and Human Services' bioterrorism efforts rises from \$3.0 billion in fiscal year 2002 to \$4.3 billion in fiscal year 2003. Funds would be used to counter bioterrorism through enhancements in hospitals and other public health facilities, research and development, pharmaceutical stockpiles, and a national information network for better detection of biological attacks and natural disease outbreaks.
- *Securing the Nation's Borders* - For the Immigration and Naturalization Service [INS], the budget provides an increase of \$700 million, or 12 percent (excluding the fiscal year 2002 emergency supplemental). This will support hiring 570 Border Patrol agents and 1,160 inspection agents. The budget also includes \$380 million for a new visa system. For the Customs Service, the proposed budget is \$2.3 billion, an increase of \$146 million, or 7 percent. Of the total, \$744 million is for Northern Border Security – an increase of \$212 million, or 39.8 percent – and \$684 million for Maritime Security – an increase of \$329 million, or 92.7 percent.
- *Securing Maritime Borders* - The budget provides \$6.1 billion for the Coast Guard, an increase of more than \$1 billion (not including the fiscal year 2002 emergency supplemental), or 20 percent. After 11 September, the Coast Guard's port security mission grew from 1 percent or 2 percent of daily operations to 50 percent or 60 percent. The service also has other important national security missions, such as interdicting illegal migrants, and drug interdiction.
- *Aviation Security* - The Transportation Security Administration [TSA] was created by Congress to improve aviation security by accelerating deployment of explosive detection systems and other airport security equipment, facilitating passenger and baggage inspection, and deploying more Federal Air Marshals. The budget provides \$4.8 billion in budget resources: \$2.5 billion in new budget authority and \$2.2 billion in offsetting collections through a combination of new passenger and air carrier fees.

Investing in Future Technology

- The resolution provides \$22.7 billion in budget authority for science, an increase of \$675 million, or 2.1 percent, over 2002. It reflects 2.6-percent annual growth in this function over the next 5 years. Key provisions include:
 - *National Science Foundation* - The resolution enhances the Nation's commitment to science and provides \$4.0 billion for the National Science

Foundation's research and related activities, an increase of \$374 million over fiscal year 2002.

- *NASA* - The budget provides \$15 billion for the National Aeronautics and Space Administration [NASA], a 1.4-percent increase over fiscal year 2002. This is in addition to the 5-percent increase NASA received in 2002. The funding level is consistent with the NASA Advisory Council's [NAC] recommendations.

Keeping the Promise to Veterans

- Mindful of those who have made past contributions to the Nation's security, the budget continues a record of support for America's veterans.
 - *Veterans Health Care* - The budget includes \$23.9 billion for VA medical care, an increase of \$2.6 billion, or 12.0 percent, above the fiscal year 2002 levels. The budget does not assume the imposition of the \$1,500 deductible for priority 7 veterans (those veterans who neither have service-connected disabilities nor are low-income). The increased discretionary funding will ensure that veterans receive high-quality health care, and accurate and timely entitlement benefits.
 - *Concurrent Receipt* - The resolution assumes sufficient funding to accommodate an increase in the military retired pay a veteran can collect without the current-law offset required when the veteran also is collecting disability compensation from the Department of Veterans Affairs [VA]. Phased in over 5 years, the budget provides for an increase in military retirement payments, currently subject to offset, for those with VA disability ratings of 60 percent or greater, equal to what would be received under full concurrent receipt.

SECURITY OF A GROWING ECONOMY

- In his first inaugural address, President Reagan said: "We are a Nation that has a Government – not the other way around."
- One of the clearest expressions of this principle is the American economy. It is the economy – driven by the broad spectrum of American workers and investors – that sustains the Nation and its Government.
- The Government's job is to maintain conditions that promote the continued growth and prosperity of the economy.

Balanced Budget/Debt Reduction

- From 1998 through 2001, Congress reduced the Government's debt held by the public by nearly a half trillion dollars.
- Following a temporary departure from this path, caused by the national emergency that resulted from September's terrorist attacks, this budget calls for a return to public debt reduction by 2004 – and even sooner if the economy grows faster than expected. Over the 5-year budget period, 2003 through 2007, the budget projects reducing public debt by a net total of \$181 billion.

Taxes

- The resolution assumes *no tax increases*.
- The budget resolution includes the Job Creation and Worker Assistance Act, enacted on 9 March 2002.
- The budget further accommodates \$28 billion in additional tax relief over the next 5 years – subject to the discretion of the Committee on Ways and Means. Measures could include incentives for charitable giving, energy, and education.

Additional Economic Security Measures

- **Energy:** The resolution assumes the administration's discretionary spending proposals, which fulfill the President's National Energy Policy recommendations to focus Federal investment on future energy solutions. It neither assumes nor precludes the President's policy regarding oil and gas exploration on the coastal plan of the Arctic National Wildlife Refuge [ANWR].
- **Transportation:** The resolution fully funds highways and highway safety programs at levels guaranteed by the Transportation Equity Act for the 21st Century [TEA-21], which automatically adjusts highway spending based on receipts from Federal highway user taxes.
 - But because of the unforeseen magnitude of the swing in revenue estimates from fiscal year 2002 to fiscal year 2003, State highway and highway safety planning and construction programs have been confronted with significant uncertainty about their future funding levels.
 - Therefore, the resolution provides an additional \$1.2 billion in outlays for highway and highway safety spending for fiscal year 2003, sufficient outlays to

restore the \$4.4 billion in budget authority that would be reduced in fiscal year 2003 if the Revenue Aligned Budget Authority [RABA] provision of TEA-21 were implemented.

- **Agriculture:** The budget resolution fully funds the House-passed farm bill (H.R. 2646). These funds will maintain a safety net for farmers and provide long-term certainty to benefit them in their planning efforts. In addition, the resolution increases critical homeland security initiatives by \$146 million within the Department of Agriculture consistent with the President's recommendations, including an increase of \$48 million for animal health monitoring, and a \$28-million increase for the Food Safety and Inspection Services, to enhance consumer protection efforts regarding meat, poultry, and egg products.

SECURITY FOR OURSELVES AND OUR FAMILIES' FUTURE

- Personal security is what allows Americans to pursue their individual destinies, and fulfill their own lives. As Americans do this, freely and within the law, the entire Nation prospers from their imagination and productivity.
- The Government can enhance personal security by supporting its building blocks – which include education, health, and security in retirement. The Government also should help maintain good stewardship of the Nation's natural resources, to preserve and nurture them for future generations.

Education

- The resolution is consistent with the President's requested level for education spending. It assumes \$22 billion for programs authorized under the No Child Left Behind law, including a \$1-billion increase for Title I aid to low-income schools, and a \$1-billion reserve fund increase for special education. The resolution also adjusts the Function 500 levels in subsequent years to accommodate a 12-percent annual increase in spending for the Individuals with Disabilities Education Act [IDEA] – a rate of increase that would allow for full funding of the program within 10 years. Some key points:
 - *Special Education* - The mark creates a reserve fund for increasing IDEA \$1 billion above the 2002 level. This 13-percent increase would bring the overall funding level to \$8.53 billion. For 2004 and subsequent years covered by the resolution, the mark raises levels sufficiently to accommodate 12-percent annual increases in IDEA spending, a rate of increase that puts the Federal Government on a 10-year path to meet its full commitment to the States to assist with special education financing.

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- *Low-Income School Districts* - A \$1-billion increase is provided for Title I grants to low-income school districts. The increase is to be allocated through the targeted grants formula, which focuses resources on the highest-poverty school districts. Last year, Title I grew by \$2.7 billion, a 22-percent increase.
 - *Reading First* - The budget provides a \$100-million increase, to \$1 billion, for the President's reading initiative. This will help the program improve early reading instruction and also prevent more children from being inappropriately steered into special education by addressing reading difficulties at an early age.
 - *New Elementary and Secondary Education Programs* - The resolution also accommodates the following sums for new programs requested by the President: \$100 million for loan programs that assist with charter school construction; \$50 million for a choice demonstration fund to support research projects encouraging both private and public school choice options; and \$25 million for a voluntary public school choice program, to improve intradistrict and interdistrict choice options, particularly for parents of children attending low-performing schools.

Environment

- America's natural resources should be preserved and nurtured for future generations. In this regard, the budget resolution is consistent with the President's funding level, which includes full funding for the Land and Water Conservation Fund of \$911 million; a doubling of the Environmental Protection Agency brownfields cleanup budget; and an additional \$663 million to reduce the National Park Service's \$4.9 billion backlog in operations and maintenance.

Health Care

- **Medicare:** The budget contains a fund of \$5 billion in 2003, \$5 billion in 2004, and \$350 billion over 10 years for Medicare modernization, a prescription drug benefit, and adjustments to Medicare on a fee-for-service, capitated, or other basis.
- **Fighting Bioterrorism:** The Department of Health and Human Services [HHS] is the lead agency in the efforts to prevent and address bioterrorism. Under this budget, HHS's bioterrorism funding would rise to \$4.3 billion, an increase of \$1.3 billion, or 45 percent, above the fiscal year 2002 level. These levels will support critical homeland security initiatives, consistent with the President's recommendations, including the following:
 - *The National Pharmaceutical Stockpile* - The budget calls for \$650 million for the Stockpile and costs related to stockpiling smallpox vaccines and next-generation anthrax vaccines currently under development.

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- *Facilities Enhancements* - The budget counters the threat of bioterrorism with enhancements in hospitals and other public health facilities, research and development, pharmaceutical stockpile, and a national information network for better detection of biological attacks as well as natural disease outbreaks.
 - *Research* - A total of \$1.7 billion is included in the budget for bioterrorism research, including genomic sequencing of pathogens, development of an improved anthrax vaccine, and NIH laboratory and research facilities construction related to bioterrorism.
- **The National Institutes of Health [NIH]:** NIH remains a priority. Funding in this resolution accommodates the President's proposal to double NIH's 1998 funding level of \$13.6 billion by 2003. To accomplish this, the 2003 budget assumes \$27.2 billion for NIH, a \$3.9 billion increase above the 2002 level.

Retirement Security

- **Social Security:** This program is off budget and not directly addressed in the budget resolution. Nevertheless, this budget makes a down payment on needed reform by returning to debt reduction. This improves the potential for economic growth, increases national savings, and helps ensure that the Nation will be equipped to provide the real resources necessary to keep Social Security's promise in the future. All Social Security benefits are fully protected under this budget.

CONCLUSION – THE REAL MEANING OF BALANCE

- The principle of a balanced budget is more than simply a numbers game in which spending and revenue match up. It is, more fundamentally, a product of Congress having control of the budget, not *being* controlled by *it*. That result occurs when spending is demonstrably under control for the long term. Such control is maintained with this budget plan, under which Congress will return to meeting all its obligations and paying down debt held by the public by a net of \$181 billion.
- Balance also means balancing the interests of various groups of Americans: families, seniors, farmers, children, small businesses, charitable organizations, and so on. As shown above, this budget maintains a balance among all these interests.
- All these concerns can be met in the framework of a balanced budget, even as it support a plan for winning the war against terrorism, protecting the American homeland, and supporting the economic recovery. This budget is the blueprint.